



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

March 17, 2009

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

ADOPTED BOARD OF SUPERVISORS COUNTY OF LOS ANGELES

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MARCH 17, 2009

Sachi A. Hamai
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EXECUTIVE OFFICER

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Dear Supervisors:

FIVE-YEAR OPTION TO RENEW LEASE NO. 70485 DEPARTMENT OF PUBLIC SOCIAL SERVICES 14714 CARMENITA ROAD, NORWALK (FOURTH DISTRICT) (3 VOTES)

SUBJECT

This recommendation is for a five-year lease renewal of 44,250 square feet of office space and 174 parking spaces located at 14714 Carmenita Road, Norwalk, for the Department of Public Social Services (DPSS).

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the lease renewal is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.
2. Exercise the option to renew Lease No. 70485 for a five-year term with Liberty West Inc. (Lessor) for 44,250 rentable square feet of office space located at 14714 Carmenita Road, Norwalk, for DPSS at an annual first year rent not to exceed \$607,393. The rental cost for DPSS is 92 percent subvented by State and Federal funds and 8 percent net County cost.

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

DPSS has occupied 44,250 rentable square feet of office space at this location since 1999. The facility houses 161 Information Technology Division (ITD) staff, 32 LEADER Replacement System staff, 4 Internal Services Department staff and 13 consultants for a total of 210 staff.

Although DPSS has considered consolidating its ITD into one location, the department does not have sufficient resources to move and consolidate these sections at this time. At the Norwalk location ITD provides technical support to the LEADER System GEARS Project Division, Personnel systems including timekeeping and the promotional system, Lotus Notes Work Assignment Systems, the DPSS Website, GROW, MAPPER systems and Oracle among others. Approval of this proposed lease renewal will allow the County to extend the term of the lease for five years.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we strengthen the County's organizational effectiveness (Goal 3). In this case, we have ensured that service delivery systems are efficient, effective and goal-oriented by coordinating information technology services which are cost effective, reliable, accessible, and secure, to achieve operational improvements and County business goals in accordance with the Strategic Asset Management Principles, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The rental cost for the five-year term of the option period shall not exceed \$607,393 annually with no rental adjustments.

| 14714 CARMENITA RD. | EXISTING LEASE | LEASE RENEWAL | CHANGES |
|--------------------------|--|--|------------------------------|
| AREA (SQUARE FEET) | 44,250 | 44,250 | None |
| TERM | Month-to-month holdover from 03/15/2009 | Upon Board approval | Five years |
| ANNUAL BASE RENT | \$514,740 (\$11.63/sq.ft.) | \$607,393 (\$13.73/sq.ft.) | +\$92,653 |
| PARKING INCLUDED IN RENT | 174 on-site spaces | 174 on-site spaces | None |
| CANCELLATION | None | None | None |
| OPTION TO RENEW | Two five-year options | One five-year option exercised | One five-year option remains |
| RENTAL ADJUSTMENT | None during term, 18 percent if option exercised | One time 18 percent increase at exercise of option | + 18 percent |

Sufficient funding for the proposed lease renewal is included in the 2008-09 Rent Expense budget and will be charged back to DPSS. Sufficient funding is available in the DPSS operating budgets to cover the proposed lease costs.

The annual lease cost for DPSS is approximately 92 percent subvention funded.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Notice of intent to exercise this option has been provided to the Lessor. Lease renewal requires your Board to exercise the option and contains the following terms and conditions.

- The term commences upon Board approval and expires five years thereafter.
- There is a no cancellation provision any time during the option term.
- The rent includes on-site parking for 174 vehicles.
- The lease continues on a modified full-service basis. The County is responsible for all electrical costs, and the landlord covers all other operating and maintenance costs.
- The current rent was never adjusted and remained fixed for the initial ten years of the original term which began in March 1999. As provided in the Option to Renew Provision of the lease, there is a one-time 18 percent increase of the fixed rent at the commencement of the option period. While the adjusted base rent provides an 18 percent increase of the monthly rent, the adjusted annual base rent of \$13.73 per sq. ft. remains below the range of market as described below.
- There are no tenant improvements included with the renewal of the lease.

The Chief Executive Office (CEO) Real Estate staff surveyed within a five-mile radius of headquarters for alternative sites that could accommodate a need of 30,000 to 50,000 square feet of space. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically. Additionally, CEO Real Estate staff surveyed facilities within that area that best could service this need of the department to determine the market rate of comparable sites. Based upon said survey, staff has established that the rental range including electrical costs for similar property is between \$14.00 and \$16.24 per square foot per modified full-service. Thus, the base annual rent of \$13.73 per square foot for the base lease cost is below the market range. Attachment B shows County-owned and leased facilities within the search area for these programs and none are available to house these programs.

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The Department of Public Works previously inspected this facility and recommended a seismic upgrade which was completed by the Lessor in 2003.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CEO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA pursuant to Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease renewal will provide the necessary office space for this County requirement. DPSS concurs with the proposed lease renewal.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, Los Angeles, CA 90012.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:DL:JSE
CEM:TS:hd

Attachments (2)

c: County Counsel
Department of Public Social Services

**DEPARTMENT OF PUBLIC SOCIAL SERVICES
14714 CARMENITA ROAD, NORWALK
Asset Management Principles Compliance Form¹**

| | | | | | |
|-----------|---|---|------------|-----------|------------|
| 1. | <u>Occupancy</u> | | Yes | No | N/A |
| | A | Does lease consolidate administrative functions? ² | | | X |
| | B | Does lease co-locate with other functions to better serve clients? ² | | | X |
| | C | Does this lease centralize business support functions? ² | | | X |
| | D | Does this lease meet the guideline of 200 sq. ft of space per person? ² No. The space is computer lab space with office space for staff and is 210 sf per person. | | X | |
| 2. | <u>Capital</u> | | | | |
| | A | Is it a substantial net County cost (NCC) program? The lease cost is 92 percent State and Federal funding. | | X | |
| | B | Is this a long term County program? | X | | |
| | C | If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy? | | X | |
| | D | If no, are there any suitable County-owned facilities available? | | X | |
| | E | If yes, why is lease being recommended over occupancy in County-owned space? | | | X |
| | F | Is Building Description Report attached as Attachment B? | X | | |
| | G | Was build-to-suit or capital project considered? The existing lease terms are lower than market rate. | | X | |
| 3. | <u>Portfolio Management</u> | | | | |
| | A | Did department utilize CEO Space Request Evaluation (SRE)? | | X | |
| | B | Was the space need justified? | | X | |
| | C | If a renewal lease, was co-location with other County departments considered? | X | | |
| | D | Why was this program not co-located? | | | |
| | | 1. ____ The program clientele requires a "stand alone" facility. | | | |
| | | 2. ____ No suitable County occupied properties in project area. | | | |
| | | 3. X No County-owned facilities available for the project. | | | |
| | | 4. ____ Could not get City clearance or approval. | | | |
| | | 5. ____ The Program is being co-located. | | | |
| | E | Is lease a full service lease? ² Landlord pays all costs except electricity which they refuse to pay. The County pays electricity costs directly. | | X | |
| | F | Has growth projection been considered in space request? The department has maximized use of the existing space. | | X | |
| | G | Has the Dept. of Public Works completed seismic review/approval? | X | | |
| | ¹ As approved by the Board of Supervisors 11/17/98 | | | | |
| | ² If not, why not? Please bold any written responses. | | | | |

**DEPARTMENT OF PUBLIC SOCIAL SERVICES
14714 CARMENITA ROAD, NORWALK**

| LACO | FACILITY NAME | ADDRESS | DISTANCE IN MILES | GROSS SQ FT | NET SQ FT |
|------|---|--|----------------------|----------------|--------------|
| A257 | MED CTR-SUPPLIES WAREHOUSE / MEDICAL RECORDS | 2011 N SOTO ST. LOS ANGELES 90032 | 9.2 | 83,656 | 75,300 |
| A391 | DA CRIMINAL FILE STORAGE / FRAUD INVESTIGATIONS | 5300 HARBOR ST, CITY OF COMMERCE 90040 | 2.2 | 52,300 | 49,685 |
| A945 | DPSS-DISTRIBUTION CENTER / MULTI-USE WAREHOUSE | 2700 GARFIELD AVE, COMMERCE 90040 | 0.0 | 60,140 | 58,537 |
| B050 | REGISTRAR-RECORDER-SUPPLIES WAREHOUSE | 1050 S MAPLE AVE, MONTEBELLO 90640 | 1.5 | 44,000 | 23,966 |
| D530 | TREAS & TAX COLLECTOR-PUBLIC ADMIN WAREHOUSE | 4821 GREGG RD, PICO RIVERA 90660 | 5.4 | 75,000 | 62,180 |
| 5458 | PW CENTRAL YEAR-MAIN WAREHOUSE | 1537 ALCAZAR ST, LOS ANGELES 90033 | 9.3 | 59,594 | 53,646 |
| Y201 | SHERIFF-CENTRAL PROPERTY WAREHOUSE | 14201 TELEGRAPH RD, SOUTH WHITTIER 90604 | 8/8 | 55,000 | 54,044 |
| Y202 | SHERIFF-CENTRAL SUPPLY WAREHOUSE | 14205 TELEGRAPH RD, SOUTH WHITTIER 90604 | 8.8 | 45,000 | 43,714 |